

PART 2B: PROJECT ASSESSMENT

INSTRUCTIONS

PROJECT ASSESSMENT COVER PAGE

A. Applicant

- Enter the name of the legal applicant and the application number.
- Enter the date that Part 1: Strategic Assessment was entered.
- Enter the date that Part 1 was approved.

B. Funding Summary

- For each proposed activity, enter the total IHCD funding request (IHCD Funds), the total amount of funding from non-IHCD sources (Other Funds), and the total cost of all development activities (Total Development Costs).

DEVELOPMENT SUMMARY

A. Affordability for Mixed Income Beneficiaries Award

Indicate the number of units per activity planned for each of the Area Median Income levels listed. Recipients will be held to the unit commitment in their agreement. Changes will require prior IHCD approval.

Indicate the unit mix for your project Non-Assisted Units – Any housing unit in your project not receiving IHCD assistance (Market-Rate Units). These units typically differ from assisted units in terms of rents, occupancy requirements, size, features, and/or number of bedrooms.

B. Permanent Financing

- 1) List all sources of permanent financing for the project by housing activity that remains beyond construction. Include the value of any new mortgages that are taken out at the end of construction by the developer/owner.

- 2) Enter the name of the lender, original amount of the loan, the current interest rate, amortization period, loan term, payment amount and proposed lien position. If the IHCD funding request includes permanent financing in the form of a loan, enter anticipated terms and information in this table.

C. Grants

List all sources of grants to the housing activity that does not require repayment. Also list the IHCD award request amount made in this application.

D. Cash Donations

List all sources of private or public cash donations to the housing activity. Attach letters of commitment, if possible, or a copy of the current bank statement where the funds are deposited.

E. Construction Financing

List any construction loans that the developer of this housing activity will take out to cover development or construction costs during construction.

F. In-Kind Donations

List all in-kind contributions to the acquisition and/or development phase of the housing activity, including construction materials, volunteer labor, waived fees, portion of sale price below appraised value, etc.

G. Sources of Match and Leverage (for all proposed activities)

List all anticipated match amounts in the table provided. In order for match to count, you must attach relevant sections of the match spreadsheet. Supporting documentation for all of the sources of match utilized must also be attached.

List all eligible sources of match and leverage to the housing activity. Attach documentation including all letters of commitment, MOU's, appraisals, etc. where applicable. Examples of eligible match/leverage include:

- Banked and Shared Batch
- Grants and Cash Donations
- Services
- Labor and Professional Services
- Sweat Equity

- Donated Materials and Equipment
- Below Market Interest Rate Construction and/or Permanent Financing
- Tax Abatements
- Tax Exemptions
- Other Government Fees
- Donated Land
- Infrastructure

H. Use of Funds/Budget

Indicate project costs being paid for with IHEDA funds, other sources of funds, and in-kind donations for each proposed activity.

I. Housing Activity Timeline

For each proposed activity, indicate the anticipated approximate month and year in which the activities will take place.

J. Development Characteristics

This section asks the applicant to describe the development characteristics for each proposed activity that fall in the (a) Universal Design category and/or the (b) High Performance Buildings category. An “Other” textbox is provided for using in describing development characteristics that cannot be categorized in the Universal Design or High Performance Buildings category textboxes.

Universal Design Features

In the Universal Design Features textboxes, indicate one or more universal design features that will be incorporated in your project, categorized by proposed activity.

Examples include but are not limited to:

- Exterior walls are at least 50% brick.

- Roofing system has at least a 30-year warranty
- Security system
- Carbon monoxide detector
- 42" or wider hallways
- 32" or wider doorways
- Toggle, rocker, or touch sensitive control panels instead of switches.
- Levers instead of door or faucet knobs
- Microwave provided at accessible height

High Performance Buildings (Energy Efficient and Conservation Items)

In each box, indicate a high performance/green building/energy efficient and conservation design feature that will be incorporated in your project, categorized by proposed activity. Rehabilitation developments must commit to a minimum of 3 features. New construction developments must meet the National Association of Home Builders (NAHB) standards which can be found at <http://www.nahb.org/>.

Examples include but are not limited to:

- Energy ® Star Rated Programmable Thermostat
- Energy ® Star Rated Cooling system(s)
- Energy ® Star Rated Heating system(s)
- Energy ® Star Rated Windows
- Energy ® Star Rated Refrigerator(s)
- Include trees in landscaping to curb winter winds and provide shade
- Install flow reducers in faucets and showers
- Incorporate permeable paving
- Install recycled content carpet and underlayment
- Install a light colored roofing material

HOMEBUYER ACTIVITY

A. Development Name

Enter the name of the homebuyer activity, whether single site or scattered site.

Enter the primary county where the activity will take place. Enter additional counties if applicable.

B. Predevelopment Activities

List the predevelopment activities that have been completed and the date completed. Examples of predevelopment activities are listed below.

- Site Control - Copy of the deed, option to purchase, or contract.
- Title Search – Must be less than 1 year old.
- Preliminary or Final architectural drawings – A copy of the drawings.
- “As is” appraisal dated within 6 months – A copy of the appraisal.
- “After Rehab” appraisal dated within 6 months – A copy of the appraisal.
- Capital Needs Assessment – A copy of the assessment.
- Site Plan – A copy of the site plan.
- Property Survey – A copy of the survey.
- Pre-qualified waiting list – A list of clients who have been pre-qualified for your proposed activity.
- Construction estimates – A copy of the work-write up or specifications.
- Other – Please provide explanation in the text box and any pertinent attachment.

C. Services

Describe on the chart the types of services you commit to offering all beneficiaries of your housing activity. List the provider of the services; describe the services being offered, and how the provider is qualified to provide such services.

A qualified provider is an organization specializing in and providing the service on a daily basis.

For services being provided by organizations outside of your own, include a memorandum of understanding (MOU). The MOU should outline the scope and duration of the services and be executed no more than 12 months prior to submission of the Part 2B: Project Assessment.

Examples of services include, but are not limited to:

- IDA Accounts
- On-site daycare services
- Credit counseling, learning centers
- Access to computer hardware and software
- Transportation
- Health screening
- Homeownership counseling
- Computer training

D. Homebuyer Down Payment

Will the homebuyer be required to contribute a minimum amount of their own money in down payment toward the purchase of the home? If 'yes,' check the appropriate box. If no, indicate in the box marked 'no.'

E. Homebuyer Savings Account

If the homebuyer is required to have a minimum dollar amount in a savings account after closing, and if the homebuyer is required to verify this amount after closing, check the appropriate box.

Enter the total dollar amount the homebuyer is required to have in savings after closing.

F. Post-Purchase Counseling

Will you offer post-purchase counseling to all the beneficiaries of the program? If you will, please describe the method of delivering the counseling, the frequency, content, program length, etc.

G. Homeownership Counseling

If you offer pre-purchase counseling to your clients, indicate the type (one-on-one, classroom, etc). If you do not offer pre-purchase counseling, indicate 'no.'

H. Foreclosure Prevention

This question seeks to find out what, if any, foreclosure prevention services you have provided to any of your organization's beneficiaries at any time. It also asks you to describe the type of foreclosure prevention activities you have implemented, any outcomes, and a timeframe for the activities.

You are asked to provide evidence of your activities, by means of a flyer, report to a state, federal or local entity, etc.

I. Home Maintenance Training

This question asks if your agency has invested in home maintenance training for the beneficiary. If so, program details are requested.

J. Programmatic Funding Request

This question refers to requests for resources that will support Comprehensive Community Development strategies within a targeted area. funding Down Payment Assistance (DPA) activities for first-time homebuyers programs, such as IHCD's First Home program or other mortgage program.

Questions 1-4 ask you to explain how funding DPA activities will advance the goals of the overall development plan.

HOMEBUYER PRO FORMA

The format of the Homebuyer Pro forma has been designed to walk you through the four ways in which IHCDCA intends for IHCDCA funds to be utilized to make single-family home purchases affordable for the low and moderate income citizens of Indiana.

NOTE: A separate pro forma must be completed for each proposed unit. For example, a 5-unit development must submit 5 pro formas, meaning one for each family/individual that will be purchasing a home using HOME subsidy.

- a. IHCDCA funds may serve as a development subsidy in instances where total development costs exceed the fair market value of the home at completion of construction or rehabilitation.
- b. IHCDCA funds may be built into the homebuyer's permanent financing of the home purchase as a 0% loan with payments to the CHDO that do not exceed 20% of the homebuyer's monthly affordable mortgage payment and a term not to exceed 15 years. This is only eligible if you are awarded out of the CHDO set-aside.
- c. IHCDCA funds may serve as a homebuyer subsidy when the homebuyer's affordable mortgage payment cannot support enough financing to cover the purchase price of the home.
- d. IHCDCA funds may serve as a homebuyer subsidy when the homebuyer does not have resources to cover standard and reasonable closing costs associated with the home purchase.
- e. Donations towards a home must be counted at 100% of the value; however, in the pro forma 75% of this value must be counted toward either the development and/or homebuyer subsidy. But if you include a developer's fee in the project costs this is not eligible and 100% of the value must be included in the development and/or homebuyer subsidy.

Step One: Calculate Development Subsidy

For the following line items, use figures for just ONE of the homes that you intend to complete as part of this application.

Acquisition: Enter the amount that you expect to pay for acquisition of the property (if applicable). You should include the closing costs on the property that you expended to purchase the property. If you will be purchasing and large lot and subdividing it, provide a pro-rated figure for one lot.

New Construction: Enter the total estimated new construction cost for one home.

Rehabilitation: Enter the total estimated rehabilitation cost for one home.

Program Delivery Cost: Enter the total estimated program delivery cost for one home.

Value of Donations: Enter the value of donations to the property.

Developer's Fee: Enter the amount of developer's fee for this property. The developer's fee cannot exceed 20% of total development costs.

Total Development Costs: This field will pre-fill from the previous fields. The purchase price must be less than or equal to the property's Fair Market Value.

Fair Market Value: Indicate the estimated or actual appraised value of the home.

Total Development Subsidy Needed: The amount by which Total Development Costs exceed Actual Fair Market Value at completion is the Development Subsidy. This is the amount of subsidy required to make it economically feasible for the recipient to rehabilitate/construct the home. IHCD funds may be used to fund all or part of the Development Subsidy. If the only use of IHCD funds in a development is toward a Development Subsidy, the recipient should utilize IHCD's resale provisions. IHCD funds used as Development Subsidy are never subject to recapture from the homebuyer.

Sources of Development Subsidy: Identify the amount of funding and each funding source being used to cover the Development Subsidy. The total of all donations must be listed under development subsidy and/or homebuyer subsidy (i.e., if you expect to receive \$6,000 in donations on the property, then you could choose to list \$3,000 of it as a source of development subsidy and the other \$3,000 would go in step six as a source of homebuyer subsidy).

Step Three: Homebuyer's Income

The information supplied below must be based on an actual client.

Date Income Verified: Enter only if using an actual client.

Effective Date of Income Limits: Enter the effective date of the income limits that you used to determine AMI.

Date of Purchase Agreement: Enter only if an agreement has been signed. (Note: this line will be used primarily on the pro formas that accompany your set-ups.)

Family Size: Enter family size information for your actual or assumed client household.

Gross Annual and Monthly Income: Enter the appropriate income figures for your actual or assumed client household.

Low Income (80% AMI Limit): Enter the Low-Income figure for your county and for the household/family size listed above. To find the Low Income (80%) limit go to <http://www.in.gov/ihcda/2522.htm>.

% of Area Median Income: This line will calculate automatically.

Step Four: Calculate Homebuyer's Affordable Mortgage Payment

The Front End Ratio and the Back End Ratio will calculate based on the information submitted in the expenses categories.

Front End Ratio: This ratio includes Principal, Interest, Taxes, and Insurance. It is strongly recommended that this ratio be between 20% and 29% of gross income.

Back End Ratio: This ratio includes all the elements from the front end ratio and monthly expenses for childcare, child support, and all regular debt payments. The recipient must determine an appropriate Back End Ratio (which must not to exceed 41%). You are allowed to provide assistance to a homeowner with a back end ratio that exceeds 41%; however, IHCDA will review and approve these as requested by applicant.

Taxes: Enter the actual monthly cost for property taxes required for the property. If this is project is a newly constructed home, a minimum of \$50 per month must be included.

Insurance: Enter the actual monthly cost for property insurance.

Utilities: This figure is not required but it is strongly recommended that this be considered when establishing mortgage payments, assessing back/front end ratios, and also when looking at the percentage of monthly income the beneficiary is paying. No more than 30% of a beneficiary's monthly income should be spent on mortgage and utilities. Although this figure is not included, IHCDA staff will assess potential utility costs as well as the percentage of monthly income when reviewing pro formas.

PMI: Enter the monthly cost for PMI if required.

Child Care Expense: Enter the actual/estimated monthly cost for childcare expenses if applicable to the household.

Child Support Paid/Owed: Enter the actual/estimated monthly cost of child support that is paid/owed from the household to another household, if applicable.

All Regular Debt: Enter the actual/estimated monthly amount of all regular debt of the household. Include credit card payments, car loans, etc.

Mortgage Payment: You will have to work with this number to determine how high a mortgage payment the household can afford to pay based on their other expenses, without exceeding the Front and Back End Ratios.

CHDO Loan: This field calculates the maximum CHDO loan by multiplying the Front End Mortgage Payment by 20%. This is the maximum amount of the buyer's Mortgage Payment that may be used as the monthly payment toward an amortized loan (rather than a grant or forgivable loan) made with IHCD funds. Please note that all HOME funds used as amortized loans on non-CHDO awards (i.e., developments that are not owned, developed, or sponsored by a state-certified Community Housing Development Organization) are considered HOME Program Income and retain their HOME identity in perpetuity.

Step Five: Structure Homebuyer's Financing

The total amount the homebuyer pays toward principal and interest on a monthly basis must equal the amount calculated in Step Four as the homebuyer's Front End Affordable Mortgage Payment.

By using the Front End Affordable Mortgage Payment as calculated above, and term and rate information from the local lending institution, calculate the loan amount of the buyer's First Mortgage. In order to reduce the amount of IHCD subsidy required to make home purchases affordable, subsidy analysis will be based on a borrower's payment for a minimum 20-year mortgage.

IHCD funds may be built into the homebuyer's permanent financing of the home purchase as a 0% loan with payments that do not exceed 20% of the homebuyer's monthly affordable mortgage payment and a term not to exceed 15 years. If the recipient has chosen to structure a part of the financing as an IHCD Amortized Loan, calculate the loan amount.

USDA leveraged loans, and other sources of funding, may also be built into the homebuyer's permanent financing of the home purchase. Enter the interest rate that you expect the buyer to qualify for. Any monthly payments that you enter will subtract from the monthly payment that the buyer can afford to make on a conventional first mortgage. You will then have to work this monthly payment number (and the conventional first mortgage monthly payment number, if there is one) to determine how high an overall mortgage the prospective buyer can qualify for.

Step Six: Determine Amount of Homebuyer Subsidy Required to Make Purchase Affordable for Homebuyer

The recipient must sell the home for an amount equal to the lesser of the Total Development Costs or Actual Fair Market Value as identified in Step Two. The gap between

the Total Purchase Price and the sum of the permanent financing (minus any financed closing costs) and the homebuyer's down payment is the amount of homebuyer subsidy required to make the purchase affordable.

List the Total Purchase Price, the value of permanent mortgages (subtract the value of any closing costs that were financed along with the permanent mortgages); the amount of homebuyer down payment, Federal Home Loan Bank AHP grants, and the amount of homebuyer subsidy from IHCD (e.g. amortized loan or grant/forgivable loan).

As noted above, if you will receive donated land, materials, or labor on this project (listed in Step 2, letter E), the value of those donations may be attributed to the development subsidy, the homebuyer subsidy, or some combination of the two (for example, if you receive donated materials worth \$10,000, you may choose to list all of that as part of the development subsidy, to list all of it as part of the homebuyer subsidy, or to apportion it out – e.g. \$4,000 as development subsidy and \$6,000 as homebuyer subsidy). Credit Taxes refers to a credit on property taxes paid by the seller, and can be found on the HUD-1.

IHCD funds may also serve as a homebuyer subsidy when the homebuyer does not have resources to cover standard and reasonable closing costs associated with the home purchase. List the amount of closing costs being paid by IHCD funds, the homebuyer, or any other source. List the total amount of closing costs paid.

Step Seven: Amount of IHCD Funds being utilized for client related services.

Enter the amount of IHCD funds that will be utilized for the client intake process and the Homeownership Counseling line item. Homeownership Counseling is required to be provided to all program beneficiaries.

Step Eight: Calculate Total IHCD Funds Required for Project

This field will pre-fill by adding the amount IHCD funds identified in (a) Development Subsidy, (b) Amortized Loan, (c) Homebuyer Subsidy, (d) IHCD-funded closing costs, (e) Client Intake Costs and (f) Homeownership Counseling.

RENTAL ACTIVITY

A. Development Name

Enter the name of the homebuyer activity, whether single site or scattered site.

Address

Enter the location(s) where the activity will take place. Enter additional addresses if needed.

B. Subgrantee

A subgrantee is defined as “an entity that owns the property being assisted with IHCD funds, but is not the legal recipient of these funds.” Answer ‘yes’ here only if the subgrantee is an entity other than the subrecipient. A subrecipient is defined as “a public agency or private 501 (c) 3 or (c) 4 non-profit organization other than the legal applicant that will administer or implement any portion of a grantee’s IHCD eligible activities. The selection of a subrecipient is not subject to procurement procedures or requirements.”

If ‘yes,’ indicate the name and address of each subgrantee. Attach a letter of commitment from the subgrantee.

C. Predevelopment Activities

List the predevelopment activities that have been completed and the date completed. Examples of predevelopment activities are listed below.

- Site Control - Copy of the deed, option to purchase, or contract.
- Title Search – Must be less than 1 year old.
- Preliminary or Final architectural drawings – A copy of the drawings.
- “As is” appraisal dated within 6 months – A copy of the appraisal.
- “After Rehab” appraisal dated within 6 months – A copy of the appraisal.
- Capital Needs Assessment – A copy of the assessment.
- Site Plan – A copy of the site plan.

- Property Survey – A copy of the survey.
- Pre-qualified waiting list – A list of clients who have been pre-qualified for your proposed activity.
- Construction estimates – A copy of the work-write up or specifications.
- Other – Please provide explanation in the text box and any pertinent attachment.

D. Services

Describe on the chart the types of services you commit to offering all beneficiaries of your housing activity. List the provider of the services; describe the services being offered, and how the provider is qualified to provide such services.

A qualified provider is an organization specializing in and providing the service on a daily basis.

For services being provided by organizations outside of your own, include a memorandum of understanding (MOU). The MOU should outline the scope and duration of the services and be executed no more than 12 months prior to submission of the Part 2B: Project Assessment.

Examples of services include, but are not limited to:

- IDA Accounts
- On-site daycare services
- Credit counseling, learning centers
- Access to computer hardware and software
- Transportation
- Health screening
- Homeownership counseling
- Computer training

G. Minimum Accessibility Requirement

Indicate the number of units committed for mobility and sensory impairments for your project.

Refer to the Accessibility chapter of the IHCD Award Manual for accessibility requirements for new construction and rehabilitation projects.

RENTAL PRO FORMA

The Rental Pro Forma is designed to be used for both single-site and scattered-site developments.

A. Unit Breakdown

List the number of units and number of bedrooms for each income category in the chart.

B. Comparison of Assisted Units to Development Costs.

See application for instructions.

C. Floating or Fixed Assisted Units.

See application for instructions.

D. Commercial and Office Space

Federal funds cannot be used to finance commercial space within a development. Income generated and expenses incurred from this space, though, must be factored into IHCD's underwriting for the project as a whole when reviewing this project activity. If the project involves development of commercial space, the applicant will need to attach separate annual operating expense information and a separate 15-year pro forma for the commercial space. Be sure to label which forms are for housing and which ones are for the commercial space.

E. Monthly Utility Allowance Calculation

See application for instructions.

F. Maximum Tenant-Paid Rent Calculation

List the applicable monthly housing cost limits, based on the number of bedrooms, less the applicable utility allowance calculated in (E) above to determine the maximum allowable tenant-paid rents for your development.

G. Estimated Rents and Rental Income

See application for instructions.

H. Effective Gross Income Calculation

See application for instructions.

I. Annual Expense Information

See application for instructions.

J. Projection for Financial Feasibility

See application for instructions.

K. USDA Rural Development Properties

See application for instructions.

L. IHCD's Underwriting Criteria

The following are underwriting guidelines for rental housing developments. The numbers submitted should reflect the nature and true cost of the proposed activity. IHCD will consider any underwriting outside of these guidelines if supporting documentation is provided.

Operating Expenses – IHCD will consider the reasonableness of operating expenses for each development based on information submitted by the Applicant. However, unless there are circumstances to justify it, IHCD will generally consider operating expenses to be outside of the underwriting criteria if they exceed the greater of \$2,700 – \$3,000 per unit or 35% of gross income.

1. Management Fee is five to seven percent of the 'effective gross income, i.e., total gross income for all units minus the vacancy rate.

One to 50 units	7%
51-100 units	6%
100+ units	5%

2. Vacancy Rate (for year 2 and beyond) -six to eight percent per year
3. Rental Income Growth Rate - one to three percent per year
4. Operating Reserves - Equal to four to six months expenditures (operating expenses plus debt service)
- 5a. Replacement Reserves – New Construction: \$250-\$300 per unit per year
- 5b. Replacement Reserves - Rehabilitation: \$300 - \$350 per unit per year
6. Rent Up Reserves: should not exceed 3 months of operating expenses plus debt service
7. Operating Expense Growth Rate -two to four percent per year

8. Second Year Debt Coverage Ratio - between 1.15 and 1.35
9. Developments structured with no hard debt - Minimum cash flow before deferred developer fee must be at least \$250 per unit annually.
10. The optimal spread between operating expenses growth and rental income growth is one percent.

OWNER-OCCUPIED REHABILITATION ACTIVITY

A. Development Name

Enter the name of the homebuyer activity, whether single site or scattered site.

Enter the primary county where the activity will take place. Enter additional counties if applicable.

B. Predevelopment Activities

List the predevelopment activities that have been completed and the date completed. Examples of predevelopment activities are listed below.

- Site Control - Copy of the deed, option to purchase, or contract.
- Title Search – Must be less than 1 year old.
- Preliminary or Final architectural drawings – A copy of the drawings.
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- “After Rehab” appraisal dated within 6 months – A copy of the appraisal.
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Describe on the chart the types of services you commit to offering all beneficiaries of your housing activity. List the provider of the services; describe the services being offered, and how the provider is qualified to provide such services.

A qualified provider is an organization specializing in and providing the service on a daily basis.

For services being provided by organizations outside of your own, include a memorandum of understanding (MOU). The MOU should outline the scope and duration of the services and be executed no more than 12 months prior to submission of the Part 2B: Project Assessment.

Examples of services include, but are not limited to:

- IDA Accounts
- On-site daycare services
- Credit counseling, learning centers
- Access to computer hardware and software
- Transportation
- Health screening
- Homeownership counseling
- Computer training

D. Extended Warranty

The extended warranty is specific to the applicant - Is the applicant willing to provide an extended warranty to the homeowner on specific items, such as furnaces, water heater, windows, roof, or appliances?